



Department of Justice

**United States Attorney Joseph H. Hogsett
Southern District of Indiana**

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CONTACT: TIM HORTY

(317) 229-2409

tim.horty@usdoj.gov

FORMER INDIANAPOLIS CITY-COUNTY COUNCILOR SENTENCED BY FEDERAL COURT

Defendant convicted of using charitable foundation to defraud investor of \$1.7 million

PRESS RELEASE

INDIANAPOLIS – Joseph H. Hogsett, the United States Attorney, announced today that Paul Bateman, age 58, was sentenced to 27 months in federal prison this morning by U.S. District Judge Tanya Walton Pratt. This follows Bateman's guilty plea to charges related to a scheme that defrauded an Indianapolis investor out of \$1.7 million in 2007. Bateman had been indicted in late 2011 on wire fraud and money laundering charges, along with Michael Russell, age 54, who was sentenced last week to 57 months in prison.

"The U.S. Attorney's Office cares about one thing, and one thing only: the truth," Hogsett said. "That is what the citizens expect and deserve from their public servants, and together with our law enforcement partners, we're working to bring this culture of corruption to an end in Indianapolis and across the state."

The Russell Foundation, an Indianapolis-based organization founded in 2003 by Michael Russell, was ostensibly a religiously-affiliated nonprofit intended to provide community leadership and poverty relief. Bateman has acknowledged that it instead served as the vehicle for roughly \$1.7 million in fraudulent activity.

In admitting his guilt, Bateman acknowledged that in early 2007, he and his alleged co-conspirator solicited \$702,000 in investment money from an Indianapolis victim. The victim was told by Russell that he planned to fund the Foundation by investing in ethanol production through a company called Indiana Ethanol Capital Investments, which was organized as a limited liability corporation in February 1, 2007, with Paul Bateman listed as president. Bateman also served as "Chief Administrative Officer" and the "Chief Corporate Officer" of the Russell Foundation.

Russell has admitted that he met with the victim to urge him to invest in the company, with support from Bateman. Bateman accepted five checks from that victim, totaling \$702,000,

between February and April, 2007, almost all of which was deposited in Bateman's personal bank account and spent on expenses other than the production and distribution of ethanol.

Later in 2007, Russell and Bateman again solicited money from the victim, successfully urging him to invest \$1 million in a corporate bond for the Russell Foundation. Russell and Bateman now admit that this money was spent on personal expenses over the course of just thirty-three days.

The indictment filed in December 2011 lists a number of purchases made using the investor's money. Russell and Bateman have admitted to a number of these purchases, including: entertainment, more than \$25,000 in clothing, jewelry, travel, eight vehicles with a combined purchase price of \$228,000, the payment of Bateman's personal income tax liability, the payment of Russell's rent for his residence, and various personal checks.

According to Assistant U.S. Attorney Joe Vaughn, Bateman was also ordered to pay restitution to the victim of the scheme, and faces federally-supervised release after his prison term is served. These charges were the result of a collaborative investigation by the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division.

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